EDITORIAL

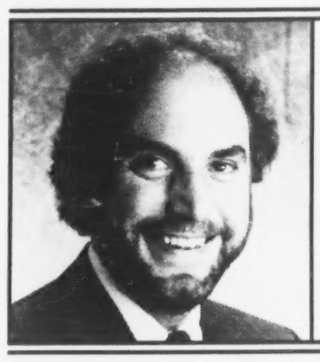
Redesigning to Survive in the 1990s

Singer and composer Peter Allen proclaims in the lyrics of one of his hits that "everything old is new again!"

And that could very well be the motto of the nation's discounters as they tinker and finetune their formats to be more competitive and contemporary. They realize that stores must be representative of retailing in the '90s, rather than the glory days of discounting in the 1970s. And so it seems that almost every discount chain from Kmart, the largest operator of stores, to G.I. Joe's, one of the smallest, is refurbishing stores and developing new prototypes.

This trend isn't just an exercise in store design, but a serious strategic step for survival in the 1990s.

Among the chains that have unveiled new looks in the past several months are Wal-Mart, Target, Ames, ShopKo, Venture, Hills, and Jamesway. And the list will continue to get longer. Several other chains, including Bradlees and Caldor, continue to make subtle changes in their stores.



TONY LISANTI
Editor

All of these new prototypes or remodeled stores share many of the same characteristics. They were designed according to the same basic criteria.

- Increase productivity. A key to every new format is to boost sales per square foot. Obviously, a more efficient layout and use of space is critical to generating more sales. Ideally, many discounters would like to boost sales per square foot well above the industry average of $160, to at least $200 per square foot.
- Enhance customer service. Most new prototypes boast a variety of features to help customers. They include: more accessible customer service counters; more telephones throughout the store for instant help; more sales help in jewelry and consumer electronics; changing tables in the restrooms; more benches or seating around the store; and better trained sales personnel.
- Utilize technology. In most new stores, POS systems are standard. Wal-Mart and Toys "R" Us are testing video carts, which also enhance customer service by helping to locate products by aisle. A few retailers are testing scanners around the store for instant price verification. Kmart is testing instant coupons by using a computer kiosk. And several retailers are offering product information (style, price, etc.) via a touch computer screen.
- Improve cross-merchandising. While this has always been a merchandising strategy, it is more widespread and complex than ever. For example, Wal-Mart is testing the merchandising of all Walt Disney licensed products in one area.
- Emphasize soft lines. Apparel and home products are undoubtedly the focal point of every new store format.
- Promote fashion and trends. There are more colors, brands and power displays touting the trends than ever before.
- Upgrade fixturing. There is a greater use of more creative department/specialty store fixtures that have enhanced fashion presentations and customer perception.
- Better signage. Almost every store utilizes better directional signs and/or color-coded department signs that make it easier for customers to locate merchandise.
- Easier to shop. Most new prototypes have wider aisles, better lighting and more amenities.

There's no doubt that customers want new and more contemporary stores. There's also no doubt that a new store can boost sales by as much as 20%. And there's no doubt that discounters are designing their way to a new decade of growth.

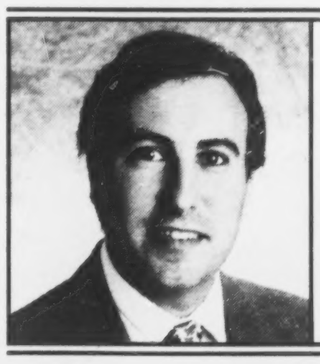
BUYERS & SELLERS

Chains Face Growing Pains in Unsettled '90s

As the calendar heads toward the half-way point of 1992, the state of the retail industry is far from settled.

In fact, just as economists at a recent National Retail Federation seminar were agreeing (yes, agreeing!) that the economy was in recovery mode, March retail sales released that day were highly inconsistent, ranging from solid comparable store gains of 24% for Best Buy, 12.5% for Dollar General and 11.8% for Pace, to disappointing declines of 12% for 50-Off Stores, 6.9% for ShopKo, and 5.7% for Value City.

James Annable, senior vice president and chief economist for The First Bank of Chicago, noted a few reasons for the resumption of economic growth. Lower interest rates have stimulated spending because lower carrying cost on existing debt means consumers have more spending income. "Each one percentage point decline in interest rates raises consumer spending by about $35 billion," said Annable.



DON LONGO
Exec Editor

Lower mortgage rates have stimulated home sales, which means people have a need for new furniture, appliances, linens, housewares, and other home goods.

Another stimulus has been the decline in oil prices. "The Saudis, who are interested in buttressing the political fortunes of George Bush, continue to pump 8½ million barrels a day of crude despite prices falling below OPEC targets," he noted. "A $5 a barrel reduction in oil prices, fully passed through and maintained for a year, is equivalent to a $30 billion tax cut."

Annable also maintained that the collapse of consumer confidence, as related in press reports and by the Conference Board Index, was overplayed and gave a misleading signal to economists. The 3.3% increase in retail sales during January and February—at the supposed height of consumer unrest—was the largest increase since the late 1970s, he said.

The big question, though, is: How sustainable is the economic recovery?

Annable cautions against expecting a major boom, such as the growth experienced in the '80s. Retailers shouldn't expect overall retail sales to grow by more than 3% for the remainder of the year, he predicted.

The 1990s will have very little in common with the 1980s. As in any mature market, growth will come to the businesses that can increase their market share, at the expense of their competitors. That's one of the reasons I haven't been too concerned about the lower earnings recorded by Target Stores last year. Since lowering its gross margin last summer, Target has become more price competitive with Wal-Mart, Kmart and other discounters. At the same time, the upscale discounter has raised its average sales per store to $20.5 million, from $20 million in 1990, sales per square foot to $202.20, from $198.80, and number of stores to 463, from 420. Target is making the tough decisions that adversely affect its short-term results, but will boost its long-term viability.

Another chain to watch is ShopKo, which, despite a sharp increase in competition from new Wal-Mart stores, has managed to profitably reposition itself with a new store prototype that better serves its generally educated, fashion-conscious female shopper. An intensive effort to take costs out of its distribution systems also enhances this regional chain's long-term prospects.

Other retailers will be making similar long-term decisions in the 1990s. "You have a very mature market, so price competition is very intense," noted Sharon Shaber, vice president of Washington-based The Futures Group. "Opportunity lies in new ways of putting merchandise together."

John J. Shea, vice chairman and president of Spiegel, added that many retailers have a Peter Pan complex. "There's a temptation among retailers to wish for the good old days," said Shea. "Depending on our ages, we each probably heard Mary Martin, Sandy Duncan or Cathy Rigby in Peter Pan sing, 'I don't want to grow up.' Sometimes I get the sense that a lot of retailers know those lyrics all too well."

Discount Store News®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212-756-5100
Subscription Services:
813-664-6707
Fax #: (813) 664-6886
Cable Address: LEBHAFRIED
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Beverages Bubble Up

Price & Ease Lure Buyers to Discounters, Clubs, Drug Stores

On her way out of her local Caldor, Leslie Gaber grabbed a 2-liter bottle of Pepsi Free. She needed it anyway and this would eliminate her having to stop at the grocery store on her way home from work.

When Chicago resident Peter Ziobro runs out at lunch to pick up a few toiletry needs at the corner Walgreens, he often buys some of his favorite bottled water to help him through the afternoon.

Barry and Lori Smith shop at The Price Club in Edison, N.J., once every two months. On top of their list of "must have" items is a case of Diet Coke. It is not just the sharp pricing that lures them, but the convenience of having a large supply on hand.

These are just three examples of consumers purchasing beverages in a non-supermarket setting. According to research conducted by Leo J. Shapiro and Associates for *Food Merchandising*, these are not isolated cases.

The national sample of 450 households revealed that half of all households are making purchases of some beverages from a discount outlet; 27% from drug stores and 26% from warehouse clubs. Moreover, a significant 28% of those surveyed indicated they buy mainly from a discount department store.

How Much Does Your Household Spend in a Year on Beverages?	
Avg. of All Purchasers	$288
Consumers Who Buy Beverages at Non-Grocery Stores	$313
At Discount Dept. Stores	$297
At Warehouse Clubs	$374
At Drug Stores	$302

Source: Leo J. Shapiro & Associates for **FM**

Non-supermarket food customers appear to be big cola consumers, according to the research. Half of all users purchase colas from discounters, compared to just 37% of non-cola purchasers. Twenty-four percent purchase colas mainly from a discounter, compared with 18% for non-colas.

Retailers who reacted to the research noted that one reason for the impressive cola sales in non-supermarket outlets is that typically these fast-turning items are the products carried. While a discounter like Kmart or Target might not get too heavily into non-cola products, it is a safe bet that at least some Coke and Pepsi is always in stock.

The non-cola top scorers in the survey, however, included 7-Up, Sprite, Mountain Dew, and Dr. Pepper.

Although, Pepsi and Coke receive similar responses, the research shows that people who like Coke are more likely to purchase it from the discount store. Pepsi fans more often purchase the drink at warehouse clubs or drug stores. Pepsi also scored high with families who indicated they spend in excess of $300 a year on beverages. Almost 40% of those who spend in that range indicated they like to buy Pepsi.

Consumers are slow to catch on to the new "natural" sodas, such as the clear, carbonated offerings. Only 18% indicated that they purchase these new items, while 82% said they do not. That may all change, retailers noted, when Pepsi begins its test of a clear cola.

Despite the sharp sales spike on non-carbonated drinks, including

Kmart, Oak Park, Mich.: A local cola brand like Faygo gets space on discounter shelves.

Beverage Performance at Non-Grocery Stores

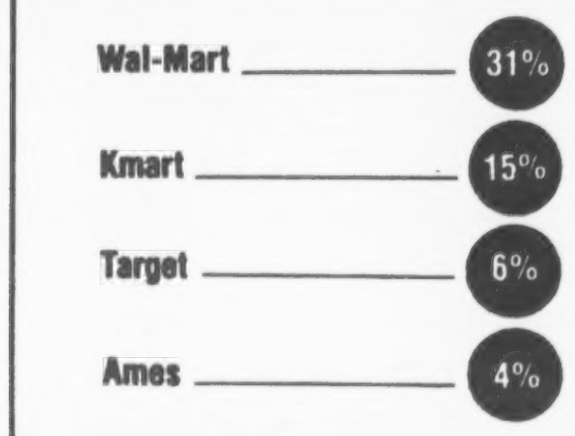
Percentage of Consumers Who Buy This Beverage at . . .

	Discount Dept. Store	Drug Store	Warehouse Club
Carbonated Cola	32% (76%)*	25% (79%)*	22% (71%)*
Carbonated Non-Cola	20% (35%)	17% (38%)	18% (44%)
Fruit Drinks	18% (20%)	11% (17%)	18% (28%)
Boxed Juice	17% (18%)	7% (10%)	14% (21%)
Bottled Water	9% (7%)	6% (6%)	11% (11%)
Clear Drinks	14% (7%)	10% (6%)	12% (9%)
Sports Drinks	23% (14%)	5% (12%)	12% (10%)

*Figures in parenthesis represent percentage of consumers who bought any beverage in that type of store who said they purchase specific beverages in that store.

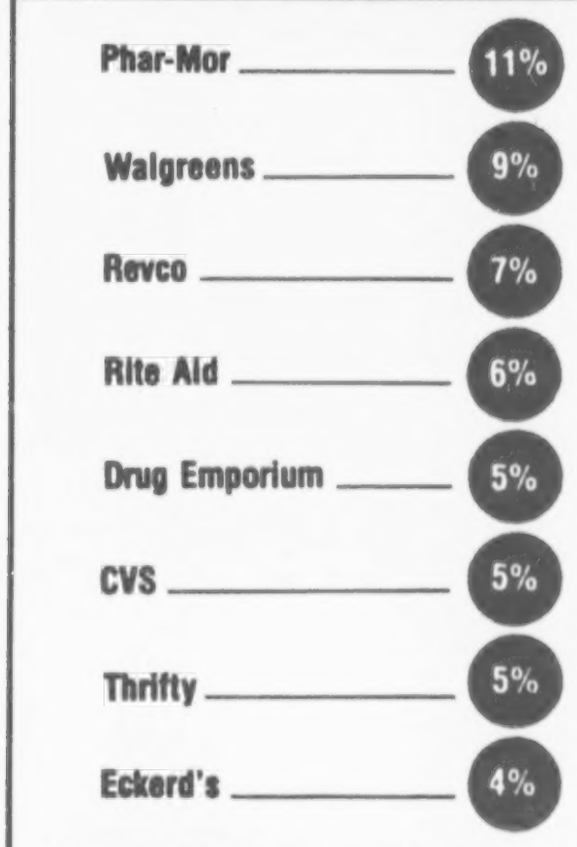
Source: Leo J. Shapiro & Associates for **FM**

Which Discount Department Store Do You Mainly Go to When You Buy These Beverages?



Which Warehouse Club?
(Among Warehouse Club Buyers)

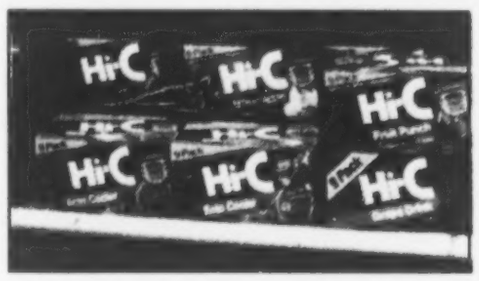
Which Drug Store?
(Among Drug Store Buyers)



Source: Leo J. Shapiro & Associates for **FM**

juices and waters, the non-food outlets tend to perform better with carbonated products. One reason is selection. Non-carbonated drinkers like to see a wide variety of choices when they shop, such as a multitude of flavored drinks or the latest in "trendy" waters.

About 17% of those queried frequent discount stores for bottled water, while 34% buy fruit drinks at a non-food outlet. As mass merchandisers continue to delve deeper into the beverage category, indications are that sales will rise as well.



But for now, the strength of cola in the discount store is reminiscent of the power of candy and snacks in a mass setting. "Discounters seem to do well with 'addictive' products," joked Rosenbaum.

According to the Shapiro research, asceptic juices are not a universally accepted package option. While 36% indicated they do buy juices in boxes, 63% indicated they do not. However, in families with children, the positive indication rises dramatically. Just over 53% of households with children buy asceptic juices.

The strength of the bottled water category is evident in the fact that almost 73% of those surveyed indicated they purchase bottled water. Among the brands singled out were Evian, Poland Spring, Spark Letter, Perrier, Crystal Springs and Clearly Canadian.

The Shapiro research finds the use of beverages related to income. There appears to be a greater consumption of beverages at higher income levels. Only in the case of high energy sports drinks does this trend reverse. Use of the sports drinks is highest among the lowest income group.

However, this difference by income disappears when looking at the income of beverage purchasers in discount and drug stores. Percentages purchasing are nearly the same in each income group. Only at the warehouse club, which has an upscale patronage, is the correlation between income and beverage consumption visible.

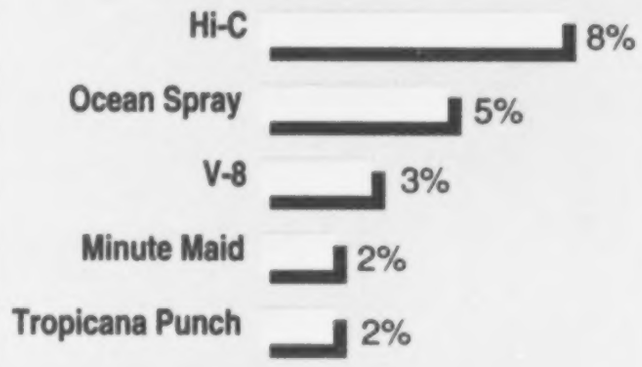
The conclusion that can be drawn is that discount stores and drug stores are helping lower income households maintain their use of carbonated and non-carbonated beverages. "They make them affordable," observed Rosenbaum.

When those who prefer discount stores head out, the majority are turning into their local Wal-Mart. The Shapiro research found that 31% of all ►

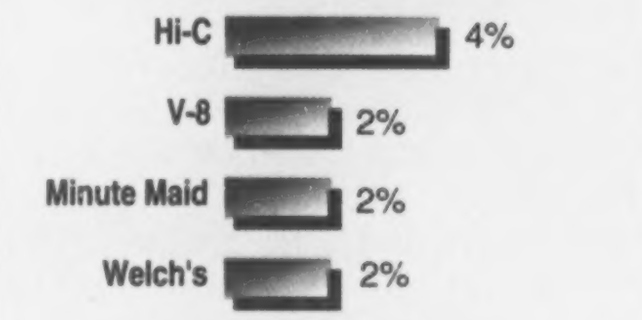
Fruit-Flavored Soft Drinks

Hi-C Leads Overall; Ocean Spray Strong Among Discount Dept. Store Shoppers

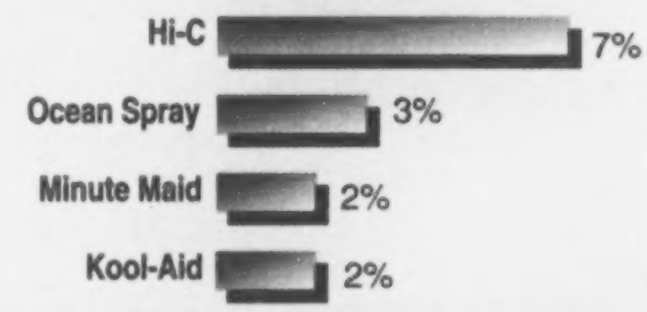
Brand Preference Among Shoppers Who Buy Beverages At Discount Stores



Shoppers Who Buy Beverages At Warehouse Clubs



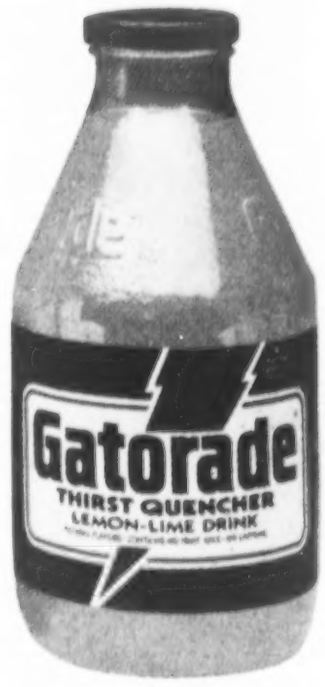
Shoppers Who Buy Beverages At Drug Stores



Source: Leo J. Shapiro & Associates for **FM**

High Energy Sports Drinks	
Gatorade Dominates With Heavy Beverage Spenders Brand Preference Among Non-Grocery Store Shoppers	
Gatorade	22%
No Other Brand Garnered More than 1%	
What Sports Drink Purchasers Spend on Beverages in a Year	
Less Than $100	12.4%
$100-$299	19.2%
$300+	30.1%

Source: Leo J. Shapiro & Associates for **Food Merchandising**

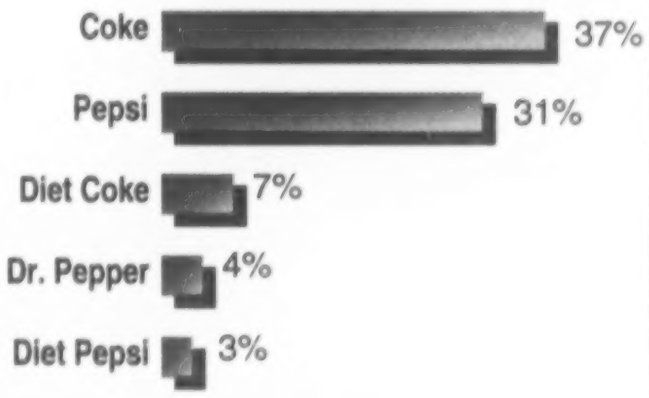


Carbonated Colas

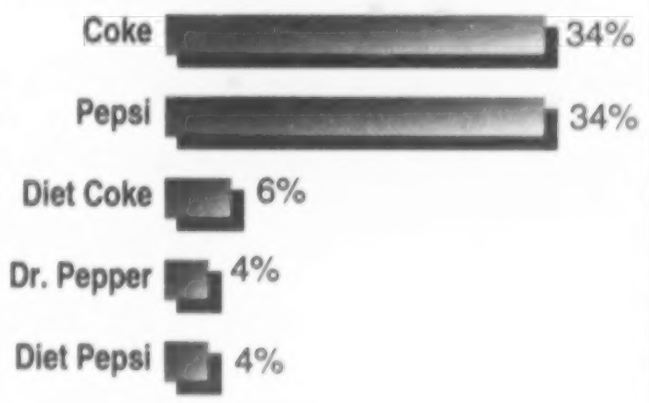
Coke Is It At Discount Stores; But Pepsi's the Right One For Drug Store Shoppers

Which Brand of Carbonated Cola Do You Like to Buy?

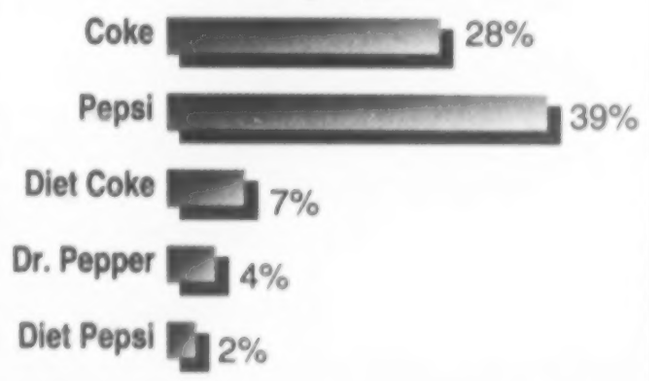
Among Shoppers Who Buy Beverages At Discount Stores



Among Shoppers Who Buy Beverages At Warehouse Clubs



Among Shoppers Who Buy Beverages At Drug Stores



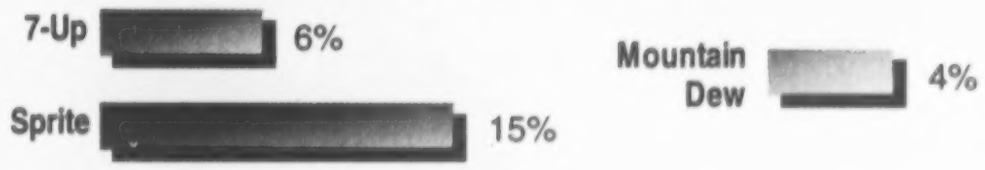
Source: Leo J. Shapiro & Associates for **FM**

Non-Cola Carbonated Beverages

7-Up Leads a Fragmented Market...

Brand Preference Among Non-Grocery Store Shoppers

But Higher Income Families Tend to Prefer Sprite
Brand Preference Among Households with Incomes Over $50,000



Source: Leo J. Shapiro & Associates for **FM**

those who have bought beverages at a discount store have purchased them at Wal-Mart. Kmart was next, with almost a 15% response, followed by Target's 6%, Ames' 4%, Fred Meyer's 3.4% and Venture's 2.6%.

Wal-Mart copped honors in the wholesale club arena, too. Those who said they frequent wholesale clubs indicated that they pick Wal-Mart's Sam's Club, giving it a 37% score. Almost 15% singled out Pace, 14% The Price Club, 11% Costco, 6% BJs and 2% the Wholesale Depot.

Super power deep discount drug store Phar-Mor topped drug stores with almost a 12% response rate. Walgreens, Revco, Rite Aid, Drug Emporium, CVS, Thrifty, Eckerd, Long's, Pay Less, Fay's, Osco and SupeRx were also mentioned by those surveyed.

The mean amount spent on beverages by the households interviewed by Shapiro was $288. The median amount was $200. Not surprisingly, the wholesale club customers skewed higher, spending a mean of $374 and a median of $200.

Bottled water sales have been bubbling over at a double digit rate increase since 1984. **FM**

Sweet on Savings

A Third of Shoppers Buys Candy at Clubs, Drug & Discount Stores

Non-food retailers play a major role in satisfying the sugar cravings of the American public.

Slightly more than one-third of all consumers who bought packaged candy and snacks products in the past year made their last purchase at a discount store, warehouse club, deep discount drug store or conventional drug store, according to a recent nationally-projectable study of 1,712 households conducted by Leo J. Shapiro & Associates for *Food Merchandising*.

Among the non-supermarket chains cited specifically by shoppers, Wal-Mart was far and away the dominant outlet for packaged candy and snacks, followed by Kmart. Meijer, the hypermarket operator based in Grand Rapids, Mich., Phar-Mor, the leading deep discount drug chain, Walgreens, the leader in the traditional drug store market, and Sam's Club, the largest membership wholesale club chain, each snared about equal shares of the total non-supermarket candy and snack customer pie.

Among the non-supermarket chains cited specifically by shoppers, Wal-Mart was far and away the dominant outlet for packaged candy and snacks, followed by Kmart.

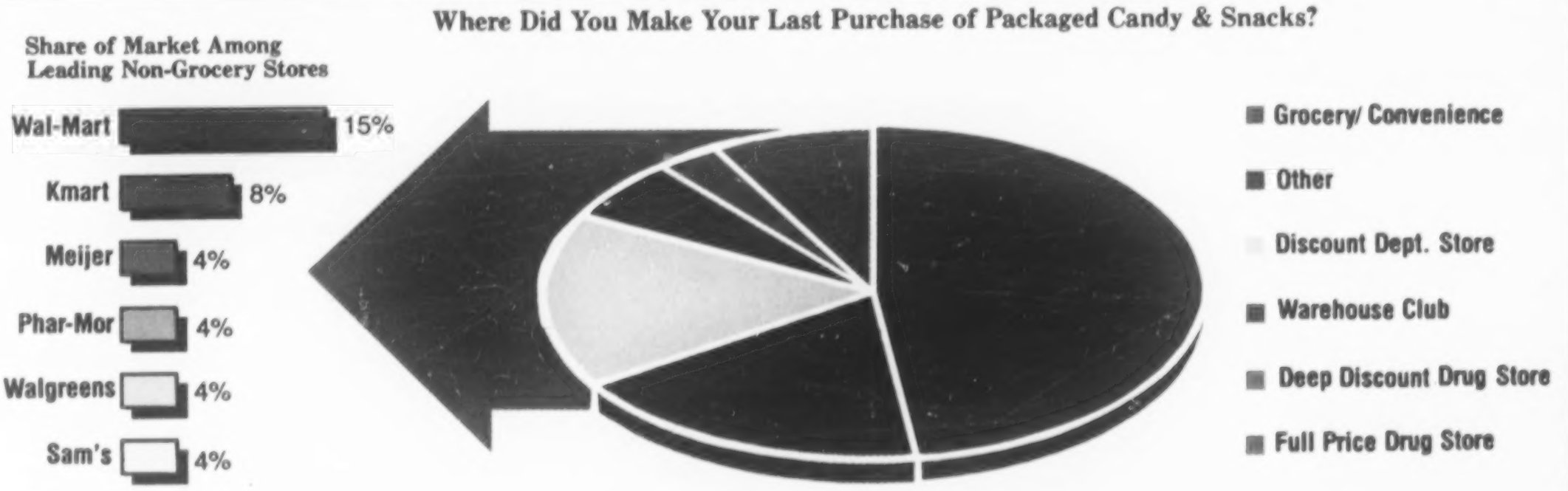
Regionally, supermarkets still rule the roost in the Northeast, where only 19% of consumers made their last candy or snack purchase at the discount, drug or warehouse store. But that percentage rises in other parts of the country where alternative forms of food shopping are now accepted. In the South, 39% of consumers made their last candy or snack purchase in a discount, drug or warehouse store; while 37% did likewise in both the West and North Central regions of the nation.

A demographic profile of the candy and snack purchasers at the various types of retail outlets reveals:

- Discount and drug stores draw a higher percentage of younger heads of households than supermarkets do when it comes to candy and snacks purchases. Warehouse clubs are most effective at bringing in shoppers aged 35 to 54, while drug stores, not surprisingly, are more likely to appeal to shoppers aged 55 and over.
- Drug stores' appeal in snacks is strongest among low income shoppers. Discount stores outstrip other types of outlets among middle-income families with annual incomes of between $30,000 and $49,000. Supermarkets and warehouse clubs, where members tend to be professionals, draw best among the higher level households with annual incomes of $50,000 or more.
- Single person households, and those with only two or three persons, prefer to buy their candy at drug stores, over the other outlets. Households with four or more members, though, tend to go to discount stores for their candy and snacks.

Of 16 product categories that were surveyed in the study, warehouse clubs exhibited their greatest strength in electronics, housewares, candy and snacks and personal care products. FM

Non-Food Stores Capture 34% of Consumers' Last Candy & Snack Purchases



Source: Leo J. Shapiro & Associates for FM

'Si' to Ethnic Foods

Retailers Discover a Taste for Exotic Grocery Products

Z-Mart, Miami: Discount veterans John Kilby, Joan Donaldson and Charles Howze cater to black and Hispanic customers with soft drinks like Ritz (see sidebar, opposite page).

The real power driving growth is the adventurous palate of general market Americans. Consumers are tasting foreign foods at outlets as common as McDonald's, helping fuel sales of ethnic offerings.

To understand the power of ethnic foods in the United States today, consider this: Sales of salsa toppled ketchup last year, according to New York-based research firm Packaged Facts.

Salsa outsold ketchup by $40 million in 1991. In fact, salsa sales hit $640 million that year, and are on the way to the $1 billion mark by 1995, reported David Weiss, president of Packaged Facts.

This illustrates a revolution in America's eating habits. Hot dogs have been exchanged for enchiladas. The trend thrills Dave Pace, who sold the first commercial salsa in the United States in 1947. Now Pace's Thick & Chunky Salsa sits on shelves of such All-American chains as Wal-Mart.

In fact, many ethnic food manufacturers say they have more access in non-traditional food outlets (discount stores, drug stores and warehouse clubs) than in supermarkets.

Non-food operators are willing to experiment with ethnic offerings, while supermarket shelves are already brimming with skus.

While the rise of the Hispanic and Asian populations has put a spike in ethnic foods sales (Asians and Latinos comprise 12% of the total population), the real power driving growth is the adventurous palate of general market Americans. Consumers are tasting foreign foods at

California's Fedco caters to that state's large Asian population.

Pay Less Drug Stores has an assortment of Oriental, Italian and Mexican foods. The Wilsonville, Ore.-based chain wants to learn enough about a market to target the mix to its customers there.

"We'll try to find the food items that have more appeal. If we did a section in the Bay Area of San Francisco, we would have a much broader selection of Oriental foods because there are more Asian Americans."

In Italian sections of New Jersey, Thrift Drug has enlarged its selections of Italian prepared entrees.

Even within general market goods, the ethnic complexion of the population dictates the mix. Said ➤

outlets as common as McDonald's, fueling sales of ethnic offerings. Ironically, said George Rosenbaum, president of the Chicago-based research firm, Leo J. Shapiro & Associates, the Hispanic is more likely to be eating the burger at McDonald's, the Caucasian the new fajita.

Dining out, one of the few growing areas is Asian and Mexican restaurants, according to NPD, another Chicago research firm. And as consumers become familiar with exotic tastes in restaurants, they start buying the same items in stores. According to Gorman's New Products Reports, Hispanic, Asian and Indian foods were the most frequently introduced ethnic items last year, behind Italian.

Health issues are also at stake. While ketchup is a sugar-sweetened condiment, salsa is made from naturally "spicy" vegetables. Hispanic, Asian and Indian seasonings are supplanting pepper and sugar as the "spices" of tomorrow.

Explained John Bauer, vice president of marketing for Golden Valley, "These flavors allow the high seasoning needed to put out a fat-reduced, salt-reduced product."

The reaction at retail has been an increase in footage devoted to ethnic products. While supermarkets started adding larger ethnic departments in the late 1980s (today Gelson's in Los Angeles even sells sushi), non-food operators are just discovering ethnic foods.

Retailers Seek to Fill Market Needs

Beyond conventional marketers' efforts to add ethnic items to appeal to the general market, there are retailers who specifically merchandise their stores for one ethnic group.

Primary examples exist in the grocery store business. Houston-based Fiesta Mart, for example, was created for the huge Hispanic population in the area. Ditto for Tianguis, a market operated by Vons in southern California.

A healthy supply of fresh produce and highly-recognized brand names are important to these chains. Ethnic consumers will seek out, and even travel a distance to find the brands they're familiar with from either their home country or word of mouth.

Some non-supermarket retailers have also carved niches as specialty operators serving ethnic areas. A prime example is Miami's Z-Mart.

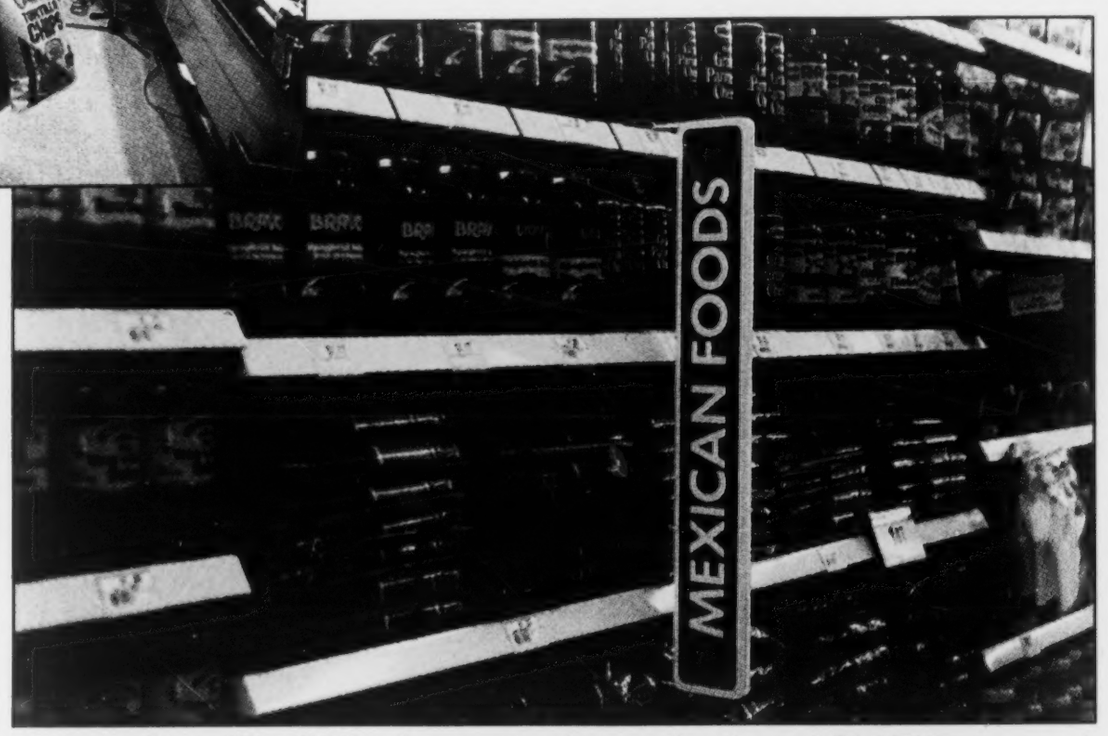
Three long-time veterans to the discount industry decided to take over a former Ames (previously a Zayre) store in the Miami area when they learned the store would be shuttered as part of Ames' restructuring under Chapter 11.

The trio—Charles Howze, who serves as president and chief executive officer; John Kilby, executive vice president and chief operating officer; and Joan Donaldson—took over the 46,000-sq.-ft. (selling area) store located in a neighborhood that is 75% black and 25% Hispanic. The merchandise mix is loaded with major brand names in apparel such as Dickies, Spaulding and Gitano—names important to the key customer. The mix also includes ethnic hair preparations as well as specialty ethnic pantyhose that the shoppers come to the store to find. The shoe assortment is also critical, observed Kilby, because it must include the sought after athletic brands.

There are also items that must be part of the food assortment to satisfy the trade area.

"We stock Ritz soda because it is a known name and there are many flavors," explained Kilby. Z-Mart retails the soda for 99 cents. Although Kilby said the food selection is small, he singled out candy as a big seller.

Also in Miami are two drug chains that cater to the large Hispanic market—Navarro Discount Pharmacies and Sedano's. These stores primarily stock toiletries and pharmaceuticals Hispanics seek out. Colgate toothpaste, for example, outsells others according to a source for Sedano's. Powdered aspirin sells better there than in general market outlets. Specialty bath oils and soaps are also a necessity. In addition, certain food items are stocked to meet the customers' demands—nacho chips, picante sauce and fruit juices. **FM**



Kmart, Sayville, N.Y., above, stocks a selection of Old El Paso products. Top, Hypermart USA in Texas courts Mexican food lovers.

Know the Hispanic Market

The 22.3 million U.S. Hispanics represent the second largest minority group in this country today. The population is growing at the rate of 15% per year and by 2010, Hispanics will be the single largest minority. By 2000, in fact, the Hispanic population will total 30 million.

Currently, according to *Hispanic Business,* Hispanic spending power is estimated to be $151 billion. According to statistics, Hispanic consumers allot 23% of their disposable income to food for consumption at home.

In marketing, it's key to remember that there are four groups of Hispanic consumers in the United States:

- Mexican (Latin Countries);
- Cuban;
- Spanish; and,
- All others.

Within these groups there are different levels of assimilation. Retailers must market the right products to the right group and not treat the market as one aggregate entity. Goya, for example, a success in some markets, faltered when it moved into Houston because the language on the packaging was not right for the local Hispanic shopper.

Attempts to better serve the Hispanic population can pay off. These customers tend to be heavy users of many items, including colas. And Quaker Oats' John Ball said Hispanics react to promotion. But some product categories just don't appeal to them much, such as cake mixes. "They prefer to make it from scratch," he said. Understand the market to better fine tune the mix, he said. **FM**

one Midwest drug chain executive, "We sell more Coke in Hispanic neighborhoods because it is a stronger franchise in Spanish-speaking countries."

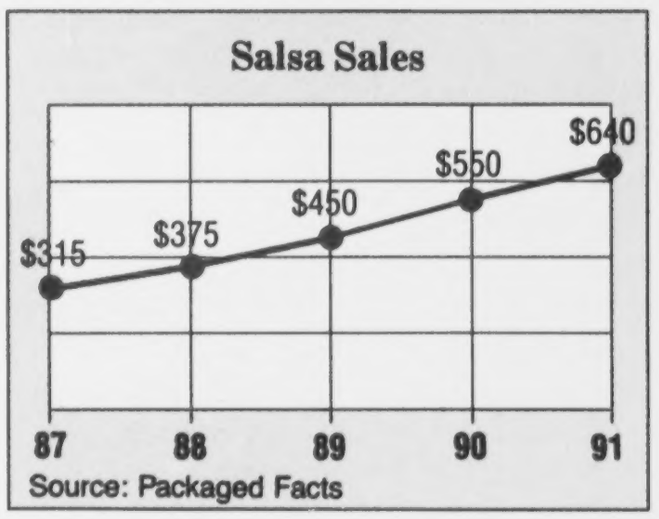
A source at Coca-Cola added that Coke enjoys a 70% market share in Mexico. Overall, the ethnic market is a heavy consumer of soda, accounting for more than 20% of non-diet cola consumption and an astounding 40% of sales of Sprite.

Micromarketing will help retailers tap into the ethnic boom, agreed John Ball of Quaker Oats, who spoke about marketing to the ethnic market at a recent gathering of the Promotional Marketers Association of America. Citing examples of products such as syrup, Ball pointed out how ethnic consumption is often higher than the general market.

But beyond serving ethnic tastes, non-food retailers are meeting the general market's quest for ethnic offerings. Kmart, for example, offers an 8-foot selection of Old El Paso Mexican items, merchandised as a family to encourage sampling of new skus, said Steve Pagnani, a spokesman for the discounter. Old El Paso is also found in Wal-Mart, along with Rosarita's Refried Beans and Chunky Picante Sauce (Beatrice/Hunt-Wesson).

Wal-Mart is also dabbling in what one source at Toñy Chachere's Creole Foods calls the next ethnic trend—cajun. Wal-Mart stocks the company's creole seasonings, sauces and jambalaya and gumbo mixes.

Wholesale clubs have jumped into action, too. Sam's has a spicy chicken developed for its units by Mexican-owned Delimex, based in San Diego. Delimex's product line received a boost after Jack-In-the-Box ran a promotion for taquitos. Now these finger-sized rolled tortillas stuffed with beef or chicken are Delimex's banner item at clubs. **FM**



HARD LINES

Automotives • Health & Beauty Care • Hardware • Toys • Stationery • Sporting Goods • DIY

Stores Boost Feminine Hygiene Sales

By Faye Brookman
Nationwide DSN Report

When Monistat 7 made its over-the-counter debut—the item had been the leading prescription yeast infection remedy—Bradlees proudly touted it in a full page ad for $9.99. The under $10 price point was significantly lower than the $17.99 tag for both Monistat 7 and Gyne-Lotrimin on the shelves of competitors such as supermarkets and drug stores.

Discounters have always sold a healthy share of sanitary supplies, but it was the introduction of items such as Advanced Care's Monistat and Schering-Plough's Gyne-Lotrimin that has given them the anchor to build a larger share of the $2 billion category. When shoppers discovered discounters sold these items, they bought more of their needs during one shopping trip, explained a source at Kmart.

Plus, these Rx-to-OTC switch items created an entirely new market, rather than cannibalizing other feminine hygiene items. In contrast, when ibuprofen items switched, the new OTC product robbed from existing analgesic sales.

The newly created OTC yeast infection remedy category is valued at $400 million per year, up substantially from the $275 million the products sold on a prescription basis. There's a simple reason for the sales explosion—about 75 percent of all women get at least one bout of a yeast infection in their lives and 13 million have the annoying condition each year.

The barrage of advertising backed by Advanced Care and Schering-Plough has educated women to know that for those with a yeast infection, who have already been diagnosed once before by a physician and recognize the symptoms, help is only a trip to a store away. In the year, both Gyne-Lotrimin and Monistat 7 have been on the market, Monistat has nabbed a 65% share and Gyne-Lotrimin a 35% share. Plus, sales of treatment (not remedy) items such as Yeast-Gard have also blossomed, thanks to a halo effect on the entire category.

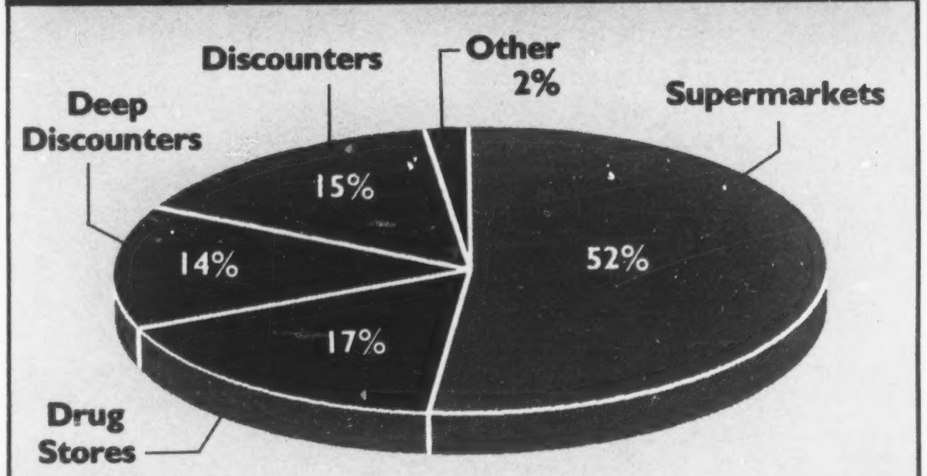
Naturally, the category presented a merchandising challenge for discounters. According to Peter Gonze, vice president, sales and marketing, for Advanced Care Products Division of Ortho Pharmaceutical, the prime merchandising spot is within feminine hygiene.

"That's where consumers will look," he added. That's also the prime spot because the items have a positive rub-off effect on items such as mini-pads and other sanitary supplies. One relatively new area benefitting is the vaginal moisturizer area and Schering has just released Gyne-Moistrin.

Discounters can also boost sales by using off-shelf displays.

Wal-Mart, for example, cross-merchandised the items at the pharmacy counter to take advantage of the synergy between the remedies and the pharmacy.

Feminine Hygiene Sanitary Supply Sales



Source: Towne-Oller

Unfortunately for many discounters, the feminine hygiene department is already bulging at the seams, according to Albert J. Kvicala, buyer for Franklin, Mass.-based Stuarts. "We're forever updating that department," he said.

However, the barrage of new paper products in sanitary supplies isn't the reason why he's avoided selling yeast infection remedies—even though he admitted its a huge and profitable business.

"We don't put them in because of theft," he lamented. The chain experimented with the items, but found they were moving out the door for the wrong reasons.

The thefts are by two types of people—those embarrassed to buy the item or professionals who "sweep" the shelves and resell the items. "We're letting the business go the drug stores," Kvicala said.

Doug Petkus, spokesman for Schering-Plough, said he has heard of only a few cases of the thefts. He believes the products are too powerful to pass up.

For several discount store chains, the challenge is pricing. One Midwest-based discounter said he has had to drop his retail price in his market on the products to compete with deep-discounters Drug Emporium and Phar-Mor. "Our sales were great until the competition started selling it at $14.99. We're dropping our prices from $19.95 to $15 to $16," he said.

The high price points have also made it a challenge for discounters to jump into the other growing feminine hygiene areas of pregnancy and ovulation test kits. But that may all change as the category continues to heat up. "It is growing by leaps and bounds," said Tom McMillian, product manager for e.p.t. from Warner Lambert Co. Towne-Oller tracked pregnancy test kits in supermarkets and found that sales of these products jumped 15% in the third quarter of 1991 over the same period in 1990.

Many discounters, such as Stuarts, are happy to stick with the sure sell of paper products, a feminine hygiene category that has finally settled down since the toxic shock tampon scare of the 1980s.

According to research from Packaged Facts, there is now almost equal use among consumers of pads and tampons. The leading napkins in sales according to Towne-Oller are Always, Kotex, Stayfree, New Freedom and Sure & Natural. The top Tampons are Tampax, Playtex, O.B., and Kotex. Discounters command 15% of the total business, far behind supermarkets' 52% share, but nevertheless, a rise of five percentage points over the last three years.

"That's directly relating to their efforts to market themselves more to the health and beauty care shopper via ads and enlarged selections," concluded David Weiss, president of New York-based Packaged Facts.

MARKETWATCH

Staples CEO on Pep Boys Board

PHILADELPHIA — Pep Boys, Manny, Moe & Jack, now a $1 billion automotives aftermarket chain, elected Staples chairman and chief executive officer Thomas G. Stemberg to its board. It also approved a 7.7% increase in its annual dividend to 14 cents a share, equal to 3½ cents a share quarterly.

Newell, Stuart Hall Swap Stock

FREEPORT, Ill. — The Newell Co. and Stuart Hall, a producer of stationery, have agreed to merge through a swap of Hall stock for Newell stock. The companies put no total value on the consolidation. Through such acquisitions, Newell now produces a wide range of hardware, home decor and office products.

Discount Stores' Athletic Shoe Market Share Up

NORTH PALM BEACH, Fla. — Discount stores last year increased their market share of athletic shoes to 27.2% from 25.6% in 1990. But sales in the category slumped 3% to 381.4 million pairs from 393 million pairs in 1990, according to the Sporting Goods Manufacturers Association. Price increases, however, held retail dollar volume constant at $11.9 billion. The average discount store price of athletic shoes was $17.40 a pair, 3.6% higher than in 1990.

Women Blamed For 53% of Shoplifting

DEERFIELD BEACH, Fla. — Women accounted for 53.2% of all shoplifters arrested last year, concluded Sensormatic in a survey of 52,000 arrests. The manufacturer of anti-shoplifting gear drew this profile of the typical shoplifter: a woman, age 28, heading at lunchtime on a Saturday to a department store, where she will try to walk out with $100 worth of goods. In home and hardware stores, however, men accounted for 86.7% of shoplifters caught.

Bensicker Gets Earthrite Line of Natural Cleansers

DANBURY, Conn. — Bensicker Consumer Products has acquired the EarthRite line of household cleansers from Magic American. EarthRite products are all-natural and 100% bio-degradable, Bensicker claimed.

Builders Square Names TV Star as New Spokesman

SAN ANTONIO, Texas — Builders Square, Kmart's home center subsidiary, has signed Tim Allen, star of the Home Improvement TV sitcom, as its spokesman for the next two years. The home center chain operates 146 stores and will open 24 more in 1992.

PayLess: Good Spin-Off Candidate

(Continued from page 1)
hosting a meeting with stock analysts in Troy May 29 to tell them more about its specialty operations.

Kmart declined to say whether it has retained an underwriter to take the specialty operations public. Nor would it give any indication when a spin-off could take place.

In those newly released specialty breakouts, PayLess proves itself to be the profit star, with an operating profit margin of 4.8% of $1.89 billion in 1991 sales, a 15.2% gain from $1.64 billion in 1990. Comparable store sales rose 2.7% in 1991, largely because of a weak economy in California, where it operates half its stores, compared to 6.3% the previous year. Operating profits totaled $90 million, a 16.1% increase from $77 million in 1990.

Operating profit margins for publicly owned drug store chains average about 3.4%.

Tim McAlear

PayLess has been logging profit margins in the 4.7% to 4.8% range—about equal to those of its parent—for at least three years. In contrast, the profit margins for its other specialty operations range from 1% for Pace to 3.6% for Builders Square.

Including 52 stores acquired last year from Osco drugs, PayLess operates 401 stores. The Osco acquisition extended its operating territory eastward to Utah and Colorado from its Northwest base.

But Payless has no ambitions to become a national chain, said Tim McAlear, president and chief executive. Nor does PayLess intend to compete head-to-head with its parent on discounted drugs and pharmacy.

McAlear took the reins at PayLess in December 1990 following a 28-year career at Kmart that started in the stockroom. Before his promotion, McAlear was director of store development.

PayLess scrapped a brief test of Wonder World, a deep discount chain. Continuation of Wonder World "would have put us head-to-head with our parent company," McAlear said. "One discounter in the family is enough."

PayLess exchanges ideas and certain information, such as on real estate, with its parent, McAlear said. "Systems people talk to each other," McAlear said, but they don't share services.

PayLess runs as a totally autonomous operation.

In common with many pharmacy operators, including Wal-Mart and Kmart, PayLess subscribes to the same pharmacy data processing service that keeps track of drug interactions for individual prescription customers and arranges for direct billing to third parties.

For tighter inventory control, PayLess totally centralizes merchandising, McAlear said. About 80% of all goods flow through its three distribution centers: Wilsonville, Woodland, Calif., and Salt Lake City, Utah.

Emulating its parent company, PayLess has just put into operation its own TV studio and will transmit programs, including messages from the chairman, to stores via a satellite link starting this month.

Including its new "45" prototype store of 31,000-sq.-ft. in Wilsonville, 120 stores, or 28%, carry apparel in 2,500-sq.-ft. departments, McAlear said.

The top price point for the basic assortments of sportswear, sweats, T-shirts, jeans and children's apparel runs about $20, McAlear said, but a Gitano jogging suit was on sale back in March for $37.88, compared to $49.99 every day. PayLess and Kmart don't share apparel purchasing.

In another unusual offering for a drug store chain, about 25% of PayLess stores also offer fabric, yarn and crafts departments. Price examples were crepeback satin, $3.47 per yard, and Pioneer yarn, $1.39 per skein.

Other departments include mini-departments offering basics in automotive hardware and toys.

Pharmacy, located in the front of the store for greater convenience, accounts for 5% of the floor space of the new prototype store. About 40 stores operate one-hour photo labs.

The new Wilsonville prototype stands in marked contrast to conventional PayLess stores, such as the unit in Lebanon, Ore., where Wal-Mart opened one of its first two units in Oregon March 3.

In appearance and offerings, the conventional PayLess in Lebanon looks to all the world like a 30,000-sq.-ft. discount department store. But in its new and remodeled stores, PayLess is moving away from the all round discount store approach to concentrate on its three power departments, pharmacy, health & beauty care and photo.

PayLess dubs the Wilsonville prototype the "45" because aisles are angled at 45 degrees from the front checkout to the rear, creating several triangular areas.

Cosmetics dominate the entrance in a triangular department immediately behind the row of checkouts.

Signs saying, "We Discount Maybelline Every Day," and "We Discount Cover Girl Every Day," top their respective displays.

In keeping with the latest trends in store decor, spotlighted color graphics invite the customer's eye, such as a mother tending her baby over a display of disposable diapers.

As a customer convenience, the store offers free coffee and upholstered chairs to customers waiting for prescriptions and provides a copy machine at 5 cents per page. The store also is installing a fax machine for public use.

To make the store easier to shop for the elderly and handicapped, the PayLess prototype features automatic sliding entrance doors and two electric-powered shopping carts.

Bed Bath & Beyond to Go Public

(Continued from page 6)
stores in nine states, 26 of which are superstores. Total square footage (including storeroom space) is 917,000 sq. ft. Store size ranges from a low of 5,000 sq. ft. to a high of 60,000 sq. ft. (at the company's new Gurnee Mills location), with new stores averaging about 44,000 sq. ft. The company opened seven new superstores last year, and three the year before, all between 23,000 sq. ft. and 60,000 sq. ft., with most around 50,000 sq. ft.

In its prospectus, BB&B identifies its primary competition as local department stores, other superstore operations, and outlet malls, and notes that its competitive strategy calls for carrying a deeper selection than the department stores, more categories than other superstores (which it feels are primarily in the linens business) and a wider selection of top lines than the outlet malls.

Perhaps the most interesting information contained in the prospectus pertains to the role of store and department managers, who are given total control over reorders and are encouraged to tailor their mix as local market conditions require. The buying staff confers with regional and store managers and is responsible only for the initial order of merchandise. After that, managers are free to reorder or not, depending on sales in that store and consultations with area and district managers, all of whom worked their way up from entry-level positions.

Like Wal-Mart, Bed Bath & Beyond believes in growing its own employees. Everyone at a senior executive level started out the same way, the company said, sweeping out stores and learning the business from the ground up. "Having local store personnel determine the appropriate quantity to reorder encourages entrepreneurship at the store level and better ensures that in-stock availability will be maintained in accordance with the specific requirements of each store," the prospectus notes, adding that store level autonomy also allows the chain to adapt to specific market, climate and regional taste considerations.

The company has also invested heavily in state-of-the-art POS systems that will allow it to be more efficient as time goes by. The system is expected to be completely on-line, with scanning in all stores, by year-end and initial benefits will accrue beginning in 1993, according to the prospectus.

DISCOUNT STORE NEWS

(ISSN 0012-3587), is published biweekly—every other Monday—23 times a year except issues of April 6, July 6, Sept. 7 and Dec. 7, which are published every third week; monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers and wholesalers. Paid subscriptions are available to manufacturers and their reps, schools, libraries, govt. agencies and all others—one year, $99; Canada: one year, $105; Foreign subscriptions-Airmail only: $195 (U.S.$ only). Single copy rate $5, except annual census issues $59 ea.

Second-class circulation postage paid at New York, N.Y., and additional mailing offices.

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Vol. 31, No. 9 May 4, 1992

Value City Set to Absorb Gee Bee

(Continued from page 1)
Remaining net proceeds will pay for more trucks and tractors and increase working capital.

SSC acquired Gee Bee (from the founding Glosser Bros.) in 1990 by assuming some $72 million in bank and trade debt.

SSC, whose late chairman, Jerome Schottenstein died in March, will retain the 18 Dollar Bargain closeout stores that Gee Bee owns. It plans to close three units when their leases expire this year.

SSC sold only a 27% stake in Value City when it took the chain public last year. After the new stock sales, SSC will continue to hold a majority interest of about 57% in Value City and thus still will be able to appoint all board members and swing any vote on matters put to stockholders.

Following the acquisition, Value City will convert all the full-line Gee Bee stores, except for those in Altoona and Johnstown, Pa., where both chains operate stores successfully. Also, two apparel-only stores, called Gee Bee Junior, will retain the Gee Bee name.

Value City now operates 56 units, so the stock deal will boost its store count to at least 69, once it completes the conversion.

The deal will give Value City two more Maryland units, Cumberland and Frederick, on top of its three Baltimore stores.

And it will add its name to 11 more Central and Northeast Pennsylvania markets: Chambersburg, Hazleton, Meadville, Muncy, Natrona Heights, Pottsville, Selinsgrove, State College, Uniontown, Washington and York.

Value City will continue to operate, on a reduced basis, the Gee Bee headquarters in Johnstown, Gee Bee president Tom Zurilla said. Johnstown will retain a buying staff, but accounting, among other functions, eventually will be consolidated in Columbus, said Robert Wysinsky, cfo for the chain.

Value City still is studying potential savings from eliminating other duplications, Wysinsky said, so he was unable to estimate how many of the 190 headquarters personnel will remain. Gee Bee laid off about 20 employees last winter when it sold its credit card operations to Bencharge, Zurilla said.

Value City went public at $19.50 per share. After its stock shot to a high of $50, Value City split the stock 2-for-1, so the recent $15.88 price equals about $31.75, adjusted for the split.

Value City primarily is a soft goods discounter specializing in closeout goods. For the six months ended Jan. 25, 1992, it derived 63% of its revenues from apparel, 22.6% from hard goods and home furnishings and 14.4% from licensed shoe, camera and health & beauty care departments.

Sales for the six months rose to $363.4 million from $310.9 million for the second half of the previous fiscal year. Operating profits for the half increased to $34.9 million from $30 million.

In contrast, six month sales for Gee Bee dipped to $78.2 million from $79.9 million, while operating profits slumped to $2.6 million from $5.6 million.

During the half, comp store sales for Value City rose 11.1% but slumped 2.1% for Gee Bee.

The gross margin for Value City dipped to 37.1% for the six months from 37.3%, but its expense ratio declined to 29.3% from 29.6%.

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Special Report on Retailing in Mexico—page 41

Discount Store News®

THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

VOL. 31, NO. 10 Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. $25 For IMRA Issue May 18, 1992

PERSONALITY PROFILE:

Jones Plots Growth For Rose's Success

By Mary Ellen Kelly

George Jones

Early in his life, Rose's Stores' president George Jones learned to abandon endeavors he was good at; it freed up his time to become great.

A year ago, as executive vice president of store operations for Target Stores, the nation's third largest discount chain, Jones' career "was certainly well on track." However, the 41-year-old executive also realized that the top spots at Dayton Hudson's various divisions were unlikely to change in the near future—in other words, achieving greatness at Target could take awhile.

So when a Rose's recruiter appealed to Jones' hunger for personal challenge, he left the Minneapolis-based upscale discounter and headed for Henderson, N.C.

(Continued on page 124)

Rose's Conquers the Odds By Posting Profit in 4Q

HENDERSON, N.C. — Rose's Stores has done what few in the industry thought it would ever do again: turn a profit. Net income is still in the red, but accounting policy changes enabled Rose's to report positive operating profits for the fourth quarter and year-end 1991.

At the same time, Rose's said its lenders had signed an agreement in principle to provide the chain with a multiyear working capital facility and to restructure the principal payments of all of its existing long-term debt.

Fourth quarter financial performance turned back the tide of operating losses which had flooded quarterly re-

(Continued on page 123)

Hills' New Prototype Redefines The Chain

By Laura Liebeck

PITTSBURGH — At Hills, the sweet smell of success might include the scent of cinnamon.

The beleaguered discounter, in Chapter 11 bankruptcy since Feb. 4, 1991, is in the midst of a three-year, chainwide reorganization that features changes in corporate management and a dramatic new store layout and merchandise presentation. Even the smell of warm cinnamon buns at the repositioned snack bar lends a pleasing ambience to this remodeled Hills store.

A tour of the 154-unit chain's prototype store here May 1 with chief executive officer Michael Bozic revealed the sights, sounds and smells of a markedly different Hills. There was no overpowering smell of popcorn; no confusing maze of illogically laid out aisles; and no incredibly long runs of pipe-racked apparel.

Bozic, just completing his first year as president of this venerable 35-year-old discounter, said the new store design positions Hills as a stronger regional competitor capable of withstanding the onslaught of Wal-Mart, now competing against 30% of Hills' stores, and a revitalized Kmart, which has units directly competitive with

***With Bozic** on the mound, Hills to score with new prototype.* (DSN photo)

90% of Hills' stores.

The store revitalization program is being carried out while Hills negotiates a plan of reorganization with its creditors. Last year, six stores were remodeled. This year 40 will be redone. Each unit—about 70,000 sq. ft. of selling area—costs an average of $10 per sq.-ft. to remodel, said Bozic, and takes 12 weeks to finish.

Bozic declined to specify the financial improvement being recorded by the remodeled stores, but did note that the gains are impressive enough to continue the rollout and enable him to smile easily.

"Now we can finally show customers what we really have in soft lines," he said while scanning the selection that occupies half the store.

In fact, it is through Hills' soft lines presentation that Bozic feels the chain will survive and prosper in what he termed a "tough" market.

There is room for the three nationals—Wal-Mart, Kmart and Target—plus a strong re-

(Continued on page 118)

Stop & Shop Plans $176M Bradlees Public Offer

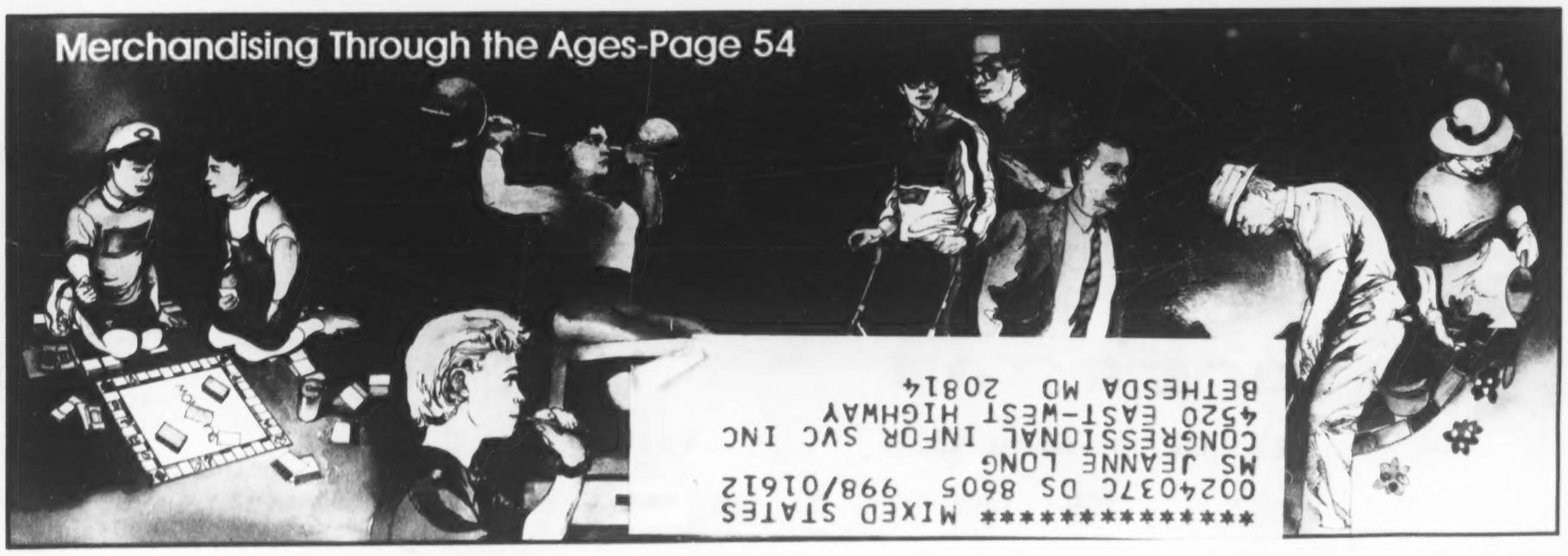
BRAINTREE, Mass. — In a second bid to reduce a billion dollar debt load, Bradlees' supermarket parent is offering to sell the chain to the public.

Stop & Shop intends to sell at least 11 million shares, raising about $176 million at $17 per share. Bradlees will turn the money over to its parent, which will use the proceeds to reduce its $1.1 billion in debt remaining from a 1988 leveraged buyout and allow it to focus on supermarket expansion.

In a similar move to concentrate on its core business, Super Valu, a Minneapolis-based supermarket operator, sold to

(Continued on page 124)

Bradlees
Headquarters: Braintree, Mass.
Chairman, ceo & president: Barry Berman
1991 Sales: $1.77B
1991 Operating Profits: $68.2M
1991 Sales Per Sq. Ft.: $199
Store Count: 127
Employees: 16,000
Expected Share Price: $17
Source: Bradlees IPO Registration Statement



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Ettore Sets Groundwork for Stuarts Revival

By Jill Lettich

FRANKLIN, Mass. — Stuarts is "just a heartbeat away" from announcing approval for its reorganization plans, according to Joseph Ettore, president of the 20-store chain.

Since filing for Chapter 11 bankruptcy protection in December 1991, Stuarts has battled with a beleaguered New England economy, and worse, the appearance of Wal-Mart on its doorstep.

But Ettore is confident that its creditors committee, and the court, will come back with a positive vote for the plan. It includes a provision of $17.7 million in cash, and issues of common stock to its creditors which would mean Stuarts could come out of Chapter 11, "virtually debt free," according to Ettore.

Joseph Ettore

He reported retail sales for April were up 9.7%. The company also reported a small profit for fiscal 1991, totaling $150,000.

Ettore is even confident that the chain can hold its own against the giant from Bentonville, Ark.

"When Wal-Mart came into Seabrook, N.H., last February [Stuarts' Salisbury, Mass., store is only four miles away] our store took a 20% decline in same store sales," he said. "March was flat, and in April, we're off only about 2% from projections and are way above last's year figures."

The improved weather at the end of April also helped boost sales chainwide, up 19% from a year earlier, especially of seasonal merchandise such as patio furniture and shorts.

"We're a different company than we were a year ago," reflected Ettore. "I'm a different person. We had to dig down and do things you may not have thought of doing in other times."

Among those things were streamlining operations through a reduced payroll and better trafficking through its distribution center.

"Our distribution center used to handle all soft lines, while hard lines were handled through an outside company. A year ago we started to handle hard lines ourselves. It saved a lot of money," he said.

Other changes included an expanded children's wear area. Children's and junior apparel are some of the areas that Ettore believes will set it apart from Wal-Mart.

The chain has also put a new emphasis on home furnishings, which are now being promoted more frequently at the chain, including a special circular in April that was almost exclusively devoted to the category. "Home furnishings has been our best department this year," he said.

Stuarts also received approval to open two new stores this summer in what are former Ames/Zayre sites. The consent from the creditors committee for the two stores came only after Stuarts agreed that it would close two of its own poor-performing stores.

That plan may change if Stuarts continues to turn itself around. Increased sales at the chain could result in the closing of only one store.

Northeast Stores Prepare for Wal-Mart

CAMBRIDGE, Mass. — How retailers can prepare for the arrival of Wal-Mart in the Northeast was the underlying theme of a recent Deloitte & Touche seminar.

TRADE/New England/ Boston Retail unit of Deloitte & Touche sponsored the event, "Becoming a Low-Cost Operator," which was attended by both small regional firms, such as Maurice and The Pants Man, and larger Northeastern regional chains such as Lechmere and Marshalls.

Not surprisingly, differentiation was the strategy put forth by the various speakers. George Strachan, an analyst with Goldman Sachs & Co., reviewed how retailers in other parts of the country had reacted to the appearance of Wal-Mart in their markets.

A Goldman Sachs study found, for instance, that Kmart has reacted to Wal-Mart's inroads in the South. Pricing at Kmart stores was 10% lower when competing directly with Wal-Mart than in areas where they were not faced with the Bentonville, Ark.-based chain. However, Strachan believes local retailers do not always have to react with slashing prices.

He cited ShopKo, a mid- and Northwest retailer, as an example of a chain that is succeeding even with Wal-Mart affecting 20% of its store base. "They benchmarked and documented their performance; stepped up promotional activity and improved distribution and MIS operations," he said.

Strachan warned that becoming a low-cost operator should not entail "starving one's self into prosperity."

He advised retailers to "invest in superior execution," including service extras such as wider aisles and more in-stocks.

He agreed that apparel was an area where more fashion-oriented chains, especially in the Northeast, might have an upper hand against Wal-Mart. Pricing, he noted, could be an effective weapon in categories where a regional store and Wal-Mart have an overlap. "If overlap is small, make a price statement," he said. "Offer real value, not gimmicks."

Strachan also noted that the specialty warehouse was the most difficult concept because of the high level of service and selection required of a low-cost operator to compete effectively.

Harris Gordon, a director, management consulting, Deloitte & Touche, reported that the economic indicators were improving. "Consumer confidence is up even in New England, which has been more hurt than the country as a whole," he said. He noted, however, that for retailers to maintain their stance in the region and to compete effectively, they had to "create a market intelligence culture; become a rapid response organization and create a low-cost infrastructure."

Randy Allen, director, management consulting, TRADE Retail & Distribution Services Group, New York, reviewed the ways local retail management could cut costs, by renewing the basic infrastructure of the organization. That included reassessing workloads and assessing the skills required to accomplish various tasks with the ultimate goal of "restructuring to facilitate customer-driven strategy execution."

Boy's Town of Italy Names Antonini 'Man of the Year'

***Joseph Antonini**, chairman of Kmart (right) receives a plaque from Monsignor J.P. Carroll-Abbing honoring him as Boy's Town of Italy's 'Man of the Year' while Conair's Lee Rizzuto looks on.*

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Zellers Taps Vendor Camerica to Manage Accessories Dept.

By Pete Hisey
International DSN Report

MONTREAL — In what may be the most dramatic example of an ongoing trend, Zellers, the 283-store chain based here, has named video game accessory and software manufacturer Camerica its exclusive supplier for all third-party games and accessories.

Camerica will, in effect, manage Zellers' 235 video game departments, exclusive of hardware and original software from Nintendo, Sega and others as they're added, an arrangement believed to be unique to the mass market.

But it may not be unique for long. Discounters and major vendors alike are looking for ways to simplify often unmanageable accessory and software businesses and several approaches seem to be gaining popularity.

While some discounters, like Zellers, are searching for someone else to manage the businesses (Wal-Mart's purchase of Western Distributors for software expertise fits into this model), others are simply looking for one-stop shopping with vendors who can supply a wide range of products. High-profile branded suppliers like Tengen (in video game accessories), Maxell and Memtek (in audio/video accessories), and Fuji and Memorex Business Products (in computer and office-related accessories) are introducing new or expanded merchandising programs that can encompass 300 or more skus from a single vendor.

Mass retailers are paring down the number of vendors in many product areas, and the most natural place to start is the accessories department, where hundreds of individual low-cost skus from dozens of vendors are often overseen by several buyers.

The housekeeping and plannogramming problems alone are immense, with products packaged in a riotous profusion of blisterpacks, stacking boxes, hangers, bricks and many others. And, the sheer raw number of invoices, purchase orders and individual sales reports make it a category almost impossible to effectively manage.

(Continued on page 37)

House Bill Targets Companies That Falsify Foreign-Made Parts

WASHINGTON — A bill introduced by New York Republican congressman Ray McGrath, House Majority Leader Richard Gephardt (D-Mo.) and Michigan Democratic representative Sander Levin would target foreign manufacturers who have 'circumvented' antidumping legislation.

The bill, which was referred to the House Ways & Means Committee, intends to close loopholes whereby companies that unfairly dump products like laptop computer screens and typewriters either obscure the actual country of manufacture or build "screwdriver" factories that simply assemble the finished pieces.

Dan Zielinski, press secretary for McGrath, noted that companies McGrath considers in violation of the new legislation include Brother and Sharp, both of which have battled antidumping charges for the past few years. Sharp representatives said they had not had enough time to study the bill when reached for comment.

Zielinski noted the issue is "straightforward; it goes to the heart of fairness." The major issue, he said, is that offshore companies have circumvented antidumping legislation by setting up phantom factories that simply install a final screw or two to complete a product or shift country of origin by setting up phantom companies in countries that are below antidumping quotas.

"By putting up 'phantom factories' that do nothing but assemble foreign-made parts into a finished product, foreign companies are blatantly thumbing their nose at our laws...," McGrath noted in a prepared statement.

Smith Corona chairman G. Lee Thompson, a longtime critic of existing legislation, applauded the bill, which he said will correct an "unlevel playing field [on which] U.S. companies that invest billions in R&D, training of skilled workers and development of fully integrated manufacturing facilities, are forced to compete against 'screwdriver' operations turning out products that would otherwise be subject to duties."

The legislation could have serious ramifications in several industries, most noticeably the automobile industry, where the line between American- and foreign-built products has been blurred over the past few years as Japanese and other manufacturers have set up factories that blend imported and domestic parts. The same may be true in consumer electronics. For instance, a laptop computer screen might be imported, but the rest of the machine is built here. If the screen is prohibited, American workers who build the rest of the machine could be out of work.

Hearings should be held in the "near future," Zielinski said, and Gephardt is considering adding the bill to a larger trade bill this summer. McGrath said that he is "confident that the bill will gain wide support" in both Houses of Congress.

TJX Debuts Home Goods Unit

FRAMINGHAM, Mass. — TJX Cos., finally unveiled its new Home Goods discount specialty concept in Mildford, Mass., earlier this month.

Home Goods is devoted exclusively to off-price housewares and home furnishings products.

This first 50,000-sq.-ft. Home Goods unit offers branded merchandise at 30% to 70% below regular retail prices.

Two additional Home Goods stores are slated to open this month, in Florence, Ky. and Beechmont, Ohio.

The company's T.J. Maxx stores have consistently done well with home products and giftware, though not in as large a space. The Home Goods concept expands the firm's presence in the home furnishings arena, while also making use of some unsettled leases.

Home Goods was one of two formats TJX created as profit centers to counteract leasing problems with former Zayre Store sites and problems stemming from Ames Department Stores bankruptcy filing. The other concept, a multipurpose market featuring individual retail booths, opened earlier this year in Florida.

It is estimated that each Home Goods store could generate up to $7 million in sales.

For fiscal 1991, TJX reported sales of $2.8 billion, a 12.7% increase from a year earlier. Income from continuing operations was $14 million, vs. $15 million a year earlier. In addition, the company established an aftertax reserve of $50 million to cover expected obligations related to the same Zayre leases.

T.J. Maxx also operates 576 Hit or Miss stores, the Chadwick's of Boston catalog, and nine Winners Apparel stores in Canada.

MARKETWATCH

Kmart Buys Czech Store; Eyes 11 Others

WASHINGTON, D.C. — Kmart is now the saving place for Americans and Czechoslovakians. The discounter spent $11.8 million to buy a 76% stake in Maj, one of the largest department stores in Prague. Maj is a seven-story building with 90,000-sq.-ft. of selling space. Kmart is also negotiating to purchase 11 other stores in Czechoslovakia to create a discount store chain in central Europe. The financial commitment, including capital investments over three years, is about $100 million (U.S. dollars), said Kmart. The discounter also plans to help develop Czechoslovakian products for export to the U.S.—cookware, specialty glass and Christmas tree ornaments are the first goods—and import American goods to that country.

Sam's Clubs Sets 11 Michigan Openings

BENTONVILLE, Ark. — Wal-Mart plans to open 11 Sam's Clubs in Michigan in 1993 and expand two of its four current clubs there (with a fifth now under construction). The discounter is also negotiating for eight more Sam's Clubs to give it 24 Michigan clubs by 1994. The Lansing and Flint Sam's Clubs will be expanded to include its fresh produce program, which will also go into the Grand Rapid club now being built and the 11 new clubs. These sites include Southfield, Southgate, Auburn Hills, Port Huron, Jackson, Battle Creek, Benton Harbord/St. Joseph, Holland, Traverse City and Tri-Cities (Midland/Saginaw/Bay City).

Ames Sells Crafts & More Operation

ROCKY HILL, Conn. — Ames Department Stores has asked its bankruptcy court to approve the sale of its 10 freestanding Crafts & More stores to ConAgra, a diversified company with specialty retail interests. Despite the sale, Ames said it remains committed to the Crafts & More program within 156 full-line discount stores.

Dissident Sears Stockholders Press Board

CHICAGO — As Sears prepares to hold its annual meeting May 14 in Atlanta, the retailer's board has come under growing pressure from dissident stockholders to enact a number of changes in the company's management. These moves include studying the divesture of the retailing and financial service businesses into separate companies and splitting the chairman post from president and chief executive officer, the two jobs now held by Edward Brennan. A number of institution investor group are supporting these proposals.

Good News For Retailers: April Sales Rise

Discount chain April same store and total sales gains, suggests that a mild recovery may be underway for retailers.

April 1992 Sales Results

Chain	Total Sales % Chg. from '91	Comp-Store % Chg. from '91
Wal-Mart*	26.0%	13.0%
Kmart*	10.9	5.5
Target	16.0	4.0
Sears	(1.5)	(2.1)
Caldor	10.6	5.1
Jamesway	4.0	4.0
ShopKo	11.9	10.1
Value City	22.9	17.9
Venture	15.5	5.2
Dollar General	35.0	30.3
Family Dollar	22.0	15.0
Circuit City	11.0	2.0
Value Merchants	72.5	6.9
Clothestime	35.0	23.0
50-Off Stores	64.5	12.9
Consolidated Stores	21.8	6.0
Pic 'N' Save	11.7	10.9

*Consolidated company results ( )—loss Source: Company reports